

Message Text

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PAGE 01 KUWAIT 03065 211707Z

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ACTION NEA-16

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AMEMBASSY BEIRUT

AMEMBASSY JIDDA

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UNCLAS KUWAIT 3065

TREASURY FOR ALAN WADE

EO 11652: NA

TAGS: OVIP (SIMON, SECRETARY)

SUBJ: SIMON ARRIVAL STATEMENT KUWAIT

REF: STATE 154138

TEXT FOR SECRETARY'S ARRIVAL STATEMENT, DELIVERED AT KUWAIT
AIRPORT APPROX 1145 GMT, SAME AS REFTEL. HIGHLIGHTS OF
BRIEF Q/A SESSION WITH PRESS FOLLOW:

Q. I HAVE SOME QUESTIONS REPRESENTING MY COLLEAGUES, THE PRESS-
MEN IN KUWAIT. FIRST QUESTION, WE HAVE HEARD A LOT ABOUT THE
HIGH PRICES OF OIL IN THE STATES AND IN EUROPE, BUT WE DIDN'T
SEE ANYTHING ABOUT THE RELATIONSHIP OF THE HIGH PRICE OF OIL
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PAGE 02 KUWAIT 03065 211707Z

TO THE HIGH PRICE OF MANUFACTURED GOODS. CAN YOU TELL US IF

THERE IS AN INTENTION TO MAKE EQUATIONS BETWEEN THE PRICE OF OIL AND THE PRICES OF INDUSTRIAL GOODS?

A. IT IS IMPORTANT TO UNDERSTAND ONE THING: THAT I DID NOT MAKE THIS TRIP TO THE MIDEAST TO NEGOTIATE OR TO TALK SOLELY ABOUT HIGH OIL PRICES. I THINK THE WORLD IS GENERALLY DISPLEASED, TO PUT IT MILDLY, WITH HIGH PRICES AND THE INFLATION PROBLEM OVER ALL. OIL HAS MADE ITS CONTRIBUTION, THERE IS NO DOUBT, TO THE INFLATIONARY PROBLEM WORLDWIDE, AND THIS MAKES IT QUITE EVIDENT THAT WHAT WE MUST DO, AS A WORLD AND EACH COUNTRY IN PARTICULAR, IS TO GET ABOUT THE PROBLEM OF ATTACKING THE CAUSES OF INFLATION INSTEAD OF THE RESULTS, AND PUTTING OUR MONETARY AND FISCAL HOUSES IN ORDER TO ACHIEVE THAT RESULT. IT IS ONLY THEN THAT WE CAN LOOK FORWARD TO A SLOWING, AND HOPEFULLY CEASING, OF THIS PRICE FIRE WHICH HAS AFFECTED SO MANY COUNTRIES OF THE WORLD.

Q. A STATEMENT MADE TODAY BY MINISTER YAMANI OF SAUDI ARABIA, SAYS THAT AN OIL EMBARGO MAY BE IMPOSED ONCE AGAIN IF ISRAEL DOESN'T WITHDRAW FROM ARAB TERRITORIES, AND THERE IS SOMETHING RELATED TO THE BUSINESS OF OIL. CAN WE HAVE AN IDEA OF YOUR EXCELLENCY ABOUT THIS SUBJECT? SINCE YOU HAVE COME FROM SAUDI ARABIA.

A. IN MY DISCUSSIONS WITH MINISTER YAMANI, IT WAS NEVER BROUGHT UP THE SUBJECT OF THE REIMPOSITION OF THE EMBARGO. NOW DURING THE PRESS CONFERENCE YESTERDAY--THE EXACT WORDS I HAVE NOT READ YET--SO I WOULD URGE YOU TO GET FROM MY PRESS SECRETARY THE EXACT VERBIAGE OF WHAT THE REQUIREMENTS WERE AND IF IN THE FUTURE THE MIDEAST SETTLEMENT AND THE SPECIFICS THAT YOU MENTIONED WERE NOT MET, THEN THIS WOULD BE CONSIDERED. I DON'T HAVE THE SPECIFICS ON THAT. BUT THE POINT OF THE MATTER IS THAT MY VISIT IS CONSISTENT WITH THE DIPLOMATIC EFFORTS ON THE PART OF PRESIDENT NIXON AND SECRETARY KISSINGER TO INSURE A JUST AND LASTING AND DURABLE PEACE IN THE MIDEAST; AND THERE CAN BE NO PEACE, THERE CAN BE NO ECONOMIC DEVELOPMENTS AND PROGRESS IN THIS AREA WITHOUT PEACE, AND THAT IS WHAT WE STRIVE FOR.

Q. SHAIKH YAMANI HAS SUGGESTED IN ONE QUOTE THAT THE UNITED
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PAGE 03 KUWAIT 03065 211707Z

STATES IS NOT PUTTING ENOUGH PRESSURE ON IRAN TO GET LOWER OIL PRICES. DO YOU BELIEVE IN THAT? WHAT WOULD BE YOUR REACTION?

A. I PREFER TO ALWAYS ALLOW A MARKETPLACE TO FUNCTION, AND WHEN WE SEE, AS YOU MENTIONED BEFORE, THE HIGHER PRICES IN ALL GOODS IN THE WORLD DUE TO THAT TERRIBLE TAX OF INFLATION WHICH ACTS SO REGRESSIVELY ON THE POOR IN PARTICULAR--LET'S

JUST TAKE THE ISSUE OF FOOD, WHICH IS ONE OF THE MAJOR PROBLEMS OR HAS BEEN A MAJOR PROBLEM. THE PRICE OF FOOD EXPLODED DUE TO CIRCUMSTANCES WHICH ONE MIGHT SAY WERE OUT OF ANYONE'S CONTROL, AND THAT WAS DUE TO THE HORRIBLE WINTER DURING 1972 AND THE CONSEQUENT EXTRAORDINARY DEMAND THAT WAS BROUGHT ABOUT BY A SIMULTANEOUS BOOM GOING ON IN ALL THE INDUSTRIALIZED COUNTRIES OF THE WORLD. WELL, THE PRICES OBVIOUSLY SHOT UP. WE INCREASED OUR PRODUCTION. WE REMOVED WHAT WE CALL A "SET ASIDE", WHICH IS THE ACREAGE THE GOVERNMENT HELD IN RESERVE, AND WE RELEASED THAT, AND NOW WE'RE GOING TO HAVE A RECORD HARVEST. IN ANTICIPATION OF THIS RECORD HARVEST, WE HAVE SEEN WHOLESALE PRICES IN OUR COMMODITY AREA DECLINE SUBSTANTIALLY IN RECENT MONTHS. THIS IS THE WAY A MARKET FUNCTIONS. I WOULD LIKE TO SEE LOWER OIL PRICES BECAUSE I THINK THEY ARE UNMANAGEABLE AS FAR AS THE LESSER DEVELOPED COUNTRIES OF THE WORLD ARE CONCERNED. AND IT'S WREAKING HAVOC WITH SOME OF THESE ECONOMIES WHERE THESE NATIONS CANNOT AFFORD IT. AND WE'RE WORKING THROUGH THE INTERNATIONAL MONETARY FUND IN WAYS THAT CAN ASSIST THESE COUNTRIES.

Q. MR SECRETARY, COULD YOU SAY HOW FAR ENGULFED YOU WERE IN DISCUSSIONS IN SAUDI ARABIA WITH THE PRINCIPAL THAT SAUDI ARABIA MIGHT TAKE UP A SPECIAL ISSUE OF UNITED STATES TREASURY SECURITIES? A FIGURE HAS BEEN MENTIONED OF ABOUT TEN MILLION DOLLARS.

A. ANY FIGURES THAT ARE EVER MENTIONED OR WERE MENTIONED BY US WERE JUST FOR ILLUSTRATIVE PURPOSES. THE IDEA OF SPECIAL TREASURY SECURITIES IS NOT A NEW IDEA. WE HAVE OVER TWENTY-SIX BILLION IN SPECIAL ISSUE TREASURY SECURITIES OUTSTANDING AT THE PRESENT, TWENTY BILLION OF THIS WITH GERMANY. AND WE PRESENTED A COMPREHENSIVE PROPOSAL THAT ILLUSTRATED THE VARIOUS SPECIAL ISSUES THAT THEY COULD TAKE ADVANTAGE OF IF THIS
UNCLASSIFIED

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PAGE 04 KUWAIT 03065 211707Z

IS THE WAY THEY WISHED TO INVEST THEIR FUNDS. THEY HAVE THE ADVANTAGES OF NOT APPEARING IN THE MARKETPLACE AND THEREBY DEPRESSING THE PRICE WHEN THEY GO TO SELL, AND CONVERSELY, RAISING THE PRICE WHEN THEY WISH TO BUY, AND THE ADDITIONAL ADVANTAGE OF HAVING TO PLACE THE SECURITIES WITH US ON TWO-DAYS' NOTICE IN THE SHORT AREA, AND ON SIXTY-DAYS' NOTICE IN THE LONGER MATURITY AREA, WHICH GIVES THEM REALLY INSTANT LIQUIDITY FOR LARGE AMOUNTS OF INVESTMENT, WHICH MANY TIMES THE MARKET PLACE CANNOT PROVIDE.

Q. ARE YOU LIKELY TO MAKE SIMILAR PROPOSALS HERE?

A. WE HAVE, AS I SAY, THESE SPECIAL ISSUES WHICH HAVE BEEN IN EXISTENCE FOR A LONG PERIOD OF TIME, AND WE WOULD BE DELIGHTED TO DISCUSS SPECIAL ISSUES. WE HAVE THEM OUTSTANDING

WITH MANY COUNTRIES.
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